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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA — 398 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — November 6, 1953 DATE

REF : --

For Dept. Use Only	ACTION	DEPT.
67	OLI-10	INCA-2, I-3, IBS-2, IFA-2, UNA-2, E-4, R-R-1
	REC'D 11/9	OTHER AAMM-35, NAVY-39 AIR-24, OSD-4 CIAN-2, [illegible] AG-5, FAB-2, [illegible]

SUBJECT: WEEKA NO. 45 - ECONOMIC SECTION

Action Taken [illegible]

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SECTION II

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Business continued to be slow in October. Department store and home appliance volume, which had been good during the previous 18 months despite the low general level of activity, declined considerably and sales of heavy equipment, automobiles and hardware remained poor. Difficulties in collections by merchants on credit and installment accounts and by bankers on loans and foreign drafts were attributed to the late coffee harvest, though a reported general decline in consumer income and savings was also believed to be an important factor. Bank receipts of foreign items were up due to the arrival of Christmas merchandise but clearings decreased 3 percent from September.

Taxes and Government Finance (Unclassified)

The Guatemalan Congress this week approved a manufacturers' tax increase of $0.02 - 0.03 per pack on cigarettes made partially or wholly with imported tobacco, considered higher excise taxes on beer, and received proposed bills from the Ministry of Finance which would increase real estate taxes and import duties on alcoholic beverages. Sr. Gregorio PREM Beteta, Minister of Finance, had submitted new cigarette, beer and real estate tax bills to Congress last March to increase Government revenues by an estimated $5,000,000 "in order to carry out the vast public works program planned for fiscal 1953-54" (WEEKA No. 12), but opposition by Communist deputies to raising taxes on cheap cigarettes and on beer and the Ministry's withdrawal of the real estate tax for further study had delayed active consideration.

DECLASSIFICATION DATE 11-30-79
PER Chapman OFFICE ARA
E.O. REG. FOI CASE NO. 740332

Return to Department of State 714.00(W)/11-653

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FILED FEB 8 1954

EHMiller/dkp (11/5/53)
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If enacted, the real estate tax would provide the larger part of the new revenues by replacing the present flat 0.3 percent tax with progressive schedules up to 1.0 percent on urban property valued at more than $300,000 and up to 2.0 percent on rural property valued at more than $100,000. However, an indication of further delay was seen in an announcement by a group of PAR deputies that their party, the largest in Congress, would oppose the bill. They said that although they favored the new taxes on urban real estate, revision of the tax schedules on rural properties was not feasible at this time because the implementation of agrarian reform was giving rise to many new titles and constantly changing the property registration books.

Meanwhile, Sr. Prem Beteta told a group of teachers that the Government could not pay salaries in advance for the vacation period which began in late October because there were no funds; that even though the 1953-54 budget decree provided for such advance payment, "it was one thing to order payment and another to make sufficient money available". He said that the current $73,000,000 budget was not large enough to meet the Government's pressing obligations and he therefore planned to request Congress to increase it in the near future.

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Although Administration Congressmen discounted fears that income was being over-estimated during debate on the 1953-54 budget (WEEKA No. 26), there has been increasing evidence that Government revenues are considerably less than was expected and normal operating expenses are apparently being deferred as much as possible in favor of the public works program.

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Commercial Policy (Unclassified)

A Japanese trade mission visiting Guatemala this week held conversations with Minister of Economy J. Roberto FANJUL and subsequently told the press that Sr. Fanjul had accepted in principle the conclusion of a commercial treaty under which Guatemala would sell rice, cotton and vegetable fibers in exchange for porcelain, textiles, electrical apparatus, agricultural machinery and toys. Sr. Heiji KATO, representative of the Japan Export Trade Research Organization, said that steps would be taken to remove the 100 percent surcharge on Guatemalan imports from Japan which has been the chief hindrance to mutually profitable trade.

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Encl. No.
Desp. No.
From

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The 100 percent duty surcharge is applied, with certain exceptions, to imports from countries with which Guatemala has an unfavorable balance of trade. However, the Minister of Finance may grant exemptions in cases determined to be in the national interest and waiver of the surcharge would be a simple matter if the Government decides that trade with Japan would further its policy of diversifying Guatemala's foreign markets and sources of supply.

End Restricted

For the Ambassador:

William L. Krieg
Counselor of Embassy

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